

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Eng Analyst: Deborah Barrett Bill Number: AB 969
Related Bills: See Legislative History Telephone: 845-4301 Amended Date: April 9, 2007
Attorney: Douglas Powers Sponsor: _____

SUBJECT: FTB Revise Income Tax Forms To Require A Person To Report & Pay Qualified Use Tax/Operative for Returns Filed For Taxable Years Beginning On and After January 1, 2007

SUMMARY

This bill would remove the election for taxpayers to report use tax on the state tax return and instead make it a requirement.

SUMMARY OF AMENDMENTS

The April 9, 2007, amendments deleted spot language relating to the Acupuncture Licensing Act, and added the requirement for taxpayers to report and pay use tax on the state income tax return.

This is the department's first analysis of this bill.

PURPOSE OF THE BILL

According to the author's staff, the purpose of this bill is to improve voluntary compliance with state use tax laws.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2008, and operative for 2007 tax year returns required to be filed on or after that date.

POSITION

Pending.

ANALYSIS

STATE LAW

California use tax is imposed on any person who purchases tangible personal property for use, consumption, or storage in this state where the purchase is not subject to California sales tax. Generally, use tax is applied in instances where the sale is not made in California, but the property is purchased for use in California, such as purchases shipped from out-of-state retailers to a California consumer. The state use tax rate is the same as the sales tax rate. The State Board of Equalization (BOE) is responsible for collecting sales and use tax. Taxpayers may elect to report and pay state use tax on their state income tax return or file a use tax return directly with BOE.

Board Position:

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_____ SA	_____ O	_____ NAR
_____ N	_____ OUA	<u> X </u> PENDING

Department Director

Date

Selvi Stanislaus
by Lynette Iwafuchi

4/20/07

THIS BILL

This bill would eliminate the election for a taxpayer to report and pay use tax on the state income tax return and would instead enact a requirement that the use tax be reported and paid through the income tax return.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would have minor impact to the department's programs and operations.

TECHNICAL CONSIDERATION

On Page 7, line 2, after "years" insert "beginning".

LEGISLATIVE HISTORY

SB 1009 (Alpert, Stats 2003, Ch. 718) added the election for taxpayers to report and pay use tax on their state income tax returns.

FISCAL IMPACT

Changes in the instruction booklets required by this bill could be accomplished during normal annual revisions and would have a minor impact on the department's costs.

ECONOMIC IMPACT

This bill would not impact state income tax revenues.

ARGUMENTS/POLICY CONCERNS

Under this bill, administrative functions regarding the use tax would remain divided between Franchise Tax Board (FTB) and BOE. FTB would process and collect use tax reported on the PIT return, while BOE would retain responsibilities for auditing, collecting, and processing claims for refund of the use tax.

LEGISLATIVE STAFF CONTACT

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